



# NEWS RELEASE

OFFICE OF THE UNITED STATES ATTORNEY  
WESTERN DISTRICT OF MISSOURI

**TODD P. GRAVES**

---

Contact Don Ledford, Public Affairs • (816) 426-4220 • 400 East Ninth Street, Room 5510 • Kansas City, MO 64106

[www.usdoj.gov/usao/mow](http://www.usdoj.gov/usao/mow)

---

**JANUARY 9, 2006**

**FOR IMMEDIATE RELEASE**

## **NEW YORK MAN SENTENCED FOR CASSTEL MAIL, WIRE FRAUD CONSPIRACY \$8.9 MILLION FORFEITURE PAID**

**KANSAS CITY, Mo.** – Todd P. Graves, United States Attorney for the Western District of Missouri, announced that a New York man, an owner of the holding company that owns Cass County Telephone Company, was sentenced in federal court today for participating in a nearly \$9 million conspiracy to commit mail and wire fraud.

“Three defendants in two separate, but related, cases will forfeit a total of \$8.9 million to the government,” Graves said. “This marks the largest amount of forfeiture ever paid in the Western District of Missouri. Our intent is that those funds, which are the proceeds from their illegal fraud, be used to provide restitution to the victims of their crime.”

**Richard T. Martino**, 46, of Tuckahoe, N.Y., was sentenced by U.S. District Judge Howard F. Sachs this morning to four years and nine months in federal prison without parole. **Richard Martino** has paid \$5.5 million of the total court-ordered \$5.9 million forfeiture to the government, with the remaining \$400,000 to be paid this week.

Co-defendant **Daniel D. Martino**, 55, of Hawthorne, N.Y., the brother of **Richard Martino**, was sentenced on Nov. 23, 2005, to five years in federal prison without parole. **Daniel Martino** has paid \$500,000 in forfeiture. In a separate but related case, **Kenneth M. Matzdorff**, 48, of Belton, Mo., pleaded guilty on Jan. 19, 2005, to conspiracy to commit mail and wire fraud. **Matzdorff**, who has yet to be sentenced, has forfeited \$2.5 million to the government.

Both **Martinos** pleaded guilty on Feb. 23, 2005, to their roles in a conspiracy to commit mail and wire fraud that lasted from January 1998 to July 2004. **Richard Martino** also pleaded guilty to mail fraud.

The **Martinos** admitted to their roles in a conspiracy to defraud the Universal Service

Administrative Company (USAC), which disperses federal subsidies to rural telephone companies, and the National Exchange Carriers Association (NECA), which handles tariff filings and revenue distribution among carriers. The **Martinos**, along with **Matzdorff**, inflated expenses of the Cass County Telephone Company, LP (known as CassTel) in order to qualify for \$8.9 million in unwarranted subsidies and disbursements.

**Richard Martino** is the controlling authority of Local Exchange Company, LLC, a Maryland holding company that owns CassTel. CassTel is a Peculiar, Mo., telephone company that provides services to approximately 8,000 customers in Cass County, Mo., as well as a small number of customers in the state of Kansas. **Richard Martino** also controls Overland Data Center, an Overland Park, Kan., company that provides software support and information technology, and F.S.E. Consulting Corporation in New York. **Daniel Martino** is also an owner of Local Exchange Company and the president of F.S.E. Consulting.

The **Martinos** met with **Matzdorff**, president of CassTel, and other Local Exchange Company shareholders in January 1998 to review the 1998 budget for CassTel. At that meeting, Graves said, they agreed to inflate the expenses of CassTel in order to generate additional capital to expand the assets and services of CassTel. The additional capital would be received from the increased payments from the Universal Service Fund and NECA, based upon fictitious expenses reported by CassTel.

The **Martinos** and **Matzdorff** have admitted to creating false invoices in which Overland Data Center billed CassTel for approximately \$11 million for software support and information technology support. The total value of actual services performed by Overland, however, is estimated at \$240,000.

Those fictitious expenses, Graves explained, were included by CassTel as allowable expenses in cost studies filed with NECA, which collects money from individual telephone companies for access and use of other companies' systems then distributes the funds back to those companies based upon their costs. The false expenses submitted by CassTel resulted in an overpayment by NECA to CassTel of approximately \$5.4 million from 1998 to 2003.

Those fictitious expenses were also included by CassTel as allowable expenses for calculating Universal Service Fund payments to CassTel. The Universal Service Fund was established by the Federal Communications Commission to subsidize high-cost rural telephone systems. Those subsidies are disbursed by USAC to NECA to be paid out to the rural telephone companies. The false expenses submitted by CassTel, Graves said, resulted in an overpayment by USAC to CassTel of approximately \$3.5 million from 1999 to 2004.

**Richard Martino** also admitted to committing mail fraud relating to the false and fraudulent submissions delivered via Federal Express from CassTel to NECA.

This case was prosecuted by Assistant U.S. Attorneys Paul S. Becker, Bruce E. Clark and Jess E. Michaelsen. It was investigated by the Federal Bureau of Investigation.

\*\*\*\*\*

This news release, as well as additional information about the office of the United States Attorney for the Western District of Missouri, is available on-line at

[www.usdoj.gov/usao/mow](http://www.usdoj.gov/usao/mow)